

CITY OF INWOOD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

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CITY OF INWOOD, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2004)		
Allen Hassebroek	Mayor	January 1, 2004
Ranae Karli	Council Member	January 1, 2006
Les Gayer	Council Member	January 1, 2006
Dan Moen	Council Member	January 1, 2004
Joe Lloyd	Council Member	January 1, 2004
George Ahrendt	Council Member	January 1, 2004
(After January 2004)		
Dan Moen	Mayor	January 1, 2008
Ranae Karli	Council Member	January 1, 2006
Les Gayer	Council Member	January 1, 2006
Allen Hassebroek	Council Member	January 1, 2006
Joe Lloyd	Council Member	January 1, 2008
George Ahrendt	Council Member	January 1, 2008
Carol Vander Kolk	Clerk/Treasurer	January 1, 2005
Paul Kippley	Attorney	January 1, 2005

Dan Heard, CPA
David O. Halse, CPA
Kyle Ebel, CPA

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WELLS HEARD HALSE & CO.
Certified Public Accountants
710 SOUTH UNION STREET, P.O. BOX 108
ROCK RAPIDS, IOWA 51246

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of the City of Inwood, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Inwood's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which are a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and the aggregate remaining fund information of the City of Inwood as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 11, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated September 8, 2005 on our consideration of the City of Inwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 26 through 27 are not required parts of the basic financial statements, but are

supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Inwood's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2000 (which is not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wells Heard Halse & Co.

September 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Inwood, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 7.32%, or approximately \$56,000, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$4,000 and loan proceeds increased \$49,000.
- Disbursements increased 130.7%, or approximately \$638,000, in fiscal 2004 from fiscal 2003. Debt service, general government and capital projects disbursements increased approximately \$36,000, \$5,000 and \$643,000, respectively.
- The City's total cash basis net assets decreased 88.15%, or approximately \$324,000 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$305,000 and the assets of the business type activities decreased by approximately \$19,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information, which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sanitary sewer system funds. Water fund is considered to be a major fund of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$346,000 to \$45,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts and transfer:		
Program receipts:		
Charges for service	\$ 66	\$ 66
Operating grants, contributions and restricted interest	73	71
Capital grants, contributions and restricted interest	39	36
General receipts:		
Property tax	202	220
Local option sales tax	45	44
Grants and contributions not restricted to specific purposes	14	19
Unrestricted investment earnings	2	4
Bond proceeds	350	301
Other general receipts	4	3
Transfers, net	30	1
Total receipts and transfers	<u>825</u>	<u>765</u>
Disbursements:		
Public safety	27	27
Public works	96	136
Health and social services	-	-
Culture and recreation	90	94
Community and economic development	29	31
General government	63	58
Debt service	47	11
Capital projects	774	131
Total disbursements	<u>1,126</u>	<u>488</u>
Increase (decrease) in cash basis net assets	(301)	277
Cash basis net assets beginning of year	<u>346</u>	<u>69</u>
Cash basis net assets end of year	<u>\$ 45</u>	<u>\$ 346</u>

The City's total receipts for governmental activities increased by 7.8%, or \$60,000. The total cost of all programs and services increased by approximately \$638,000, or 130.74%, with the new capital projects added this year. The significant increase in receipts was primarily the result of new bond proceeds during the current year.

The City decreased property tax rates for 2004 by an average of 8 percent. This decrease reduced the City's property tax receipts by approximately \$18,000 in 2004. Based on decreases

in the total assessed valuation, property tax receipts are budgeted to decrease by \$15,831 next year.

The cost of all governmental activities this year was \$1.126 million compared to \$.488 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$.949 million because some of the cost was paid by those directly benefited from the programs (\$66,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$112,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2004 from approximately \$501,000 to approximately \$574,000, principally due to receiving funds from the Bond issued in 2004 for the Sub-division Project. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$247,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts and transfer:		
Program receipts:		
Charges for service		
Water	\$ 90	\$ 86
Sewer	72	60
General receipts:		
Miscellaneous income	3	10
Total receipts	<u>165</u>	<u>156</u>
Disbursements:		
Water	84	79
Sewer	70	67
Transfers	30	-
Total disbursements	<u>184</u>	<u>146</u>
Increase (decrease) in cash basis net assets	(19)	10
Cash basis net assets beginning of year	<u>68</u>	<u>58</u>
Cash basis net assets end of year	<u>\$ 49</u>	<u>\$ 68</u>

Total business type activities receipts for the fiscal year were \$165,000 compared to \$156,000 last year. This significant increase was due primarily to the increased fees for the water and sewer. The cash balance decreased by approximately \$19,000 from the prior year because of the bond payment for the sewer bond. Total disbursements and transfers for the fiscal year increased by 26% to a total of \$184,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Inwood completed the year, its governmental funds reported a combined fund balance of \$44,239, a decrease of more than \$305,000 below last year's total of \$346,486. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$143,417 from the prior year to \$199,459. This decrease was due to transfer to capital projects for South Main Street Improvements and

Sewer Rehab during the fiscal year. The City intends to continue close monitoring of the expenditures to insure only necessary purchases are made.

- The Road Use Tax Fund cash balance decreased by \$1,268 to \$58,238 during the fiscal year. This decrease was attributable to the transfer to the South Main Street Improvements capital project during the fiscal year.
- The Debt Service Fund cash balance increased by \$243 to \$39,040 during the fiscal year. Bond principal and interest payments increased by \$28,750 in fiscal 2004 as this was the first bond principal payment.
- The Capital Projects Funds cash balance decreased by \$144,005 due mainly to the Sub-division project expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$21,570 to \$42,333, due primarily to a transfer for South Main Street Improvements.
- The Sewer Fund cash balance increased by \$2,967 to \$7,101, due primarily to an increase in the sewer rent fees from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 14, 2004 and resulted in an increase in Other Financing Sources related to a bond issue made on April 12, 2004 for the street improvements in the City. Additionally the amendment increased Public Safety, Culture and Recreation, General Government and Capital Projects.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$1,094,000 in bonds and other long-term debt, compared to approximately \$788,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2004	2003
General obligation loans	\$ 625,000	\$ 300,000
Revenue notes	469,000	488,000
Total	<u>\$ 1,094,000</u>	<u>\$ 788,000</u>

Debt increased as a result of making a new General Obligation Capital Loan Note Series 2004. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,094,000 is below its constitutional debt limit of \$1.3 million.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

City of Inwood’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City’s employment growth has mirrored its

population growth during 1999-2004, averaging per year gains of 2 percent. Unemployment in the City is very low. This compares with the State's unemployment rate of 3.4 percent and the national rate of 3.9 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$579,000, a decrease of 29% over the final 2004 budget. Budgeted disbursements are expected to go down approximately \$500,000. Decreases in construction projects represent the largest decreases. The City has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$14,000 by the close of 2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol VanderKolk, City Clerk, 103 South Main Street, PO Box 298, Inwood, Iowa, 51240-0298.

CITY OF INWOOD, IOWA

BASIC FINANCIAL STATEMENTS

City of Inwood, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2004

Functions/Programs	Disbursements	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 27,393	\$ -	\$ -	\$ -
Public works	96,116	-	72,877	-
Culture and recreation	90,239	66,221	-	-
Community and economic development	29,177	-	-	-
General government	63,067	-	-	-
Debt service	47,087	-	-	-
Capital projects	774,052	-	-	39,412
Total governmental activities	1,127,131	66,221	72,877	39,412
Business type activities:				
Water	84,002	90,065	-	-
Sewer	69,618	71,986	-	-
Total business type activities	153,620	162,051	-	-
Total	1,280,751	228,272	72,877	39,412
General Receipts:				
Property tax levied for:				
General purposes				
Tax incremental financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investment				
Proceeds from Long-term Debt				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Capital Projects				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Exhibit A

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (27,393)	\$ -	\$ (27,393)
(23,239)	-	(23,239)
(24,018)	-	(24,018)
(29,177)	-	(29,177)
(63,067)	-	(63,067)
(47,087)	-	(47,087)
(734,640)	-	(734,640)
(948,621)	-	(948,621)
-	6,063	6,063
-	2,368	2,368
-	8,431	8,431
(948,621)	8,431	(940,190)
143,818	-	143,818
18,377	-	18,377
40,243	-	40,243
44,567	-	44,567
14,215	-	14,215
1,769	-	1,769
350,000	-	350,000
3,385	2,967	6,352
30,000	(30,000)	-
646,374	(27,033)	619,341
(302,247)	(18,602)	(320,849)
346,486	68,036	414,522
\$ 44,239	\$ 49,434	\$ 93,673
\$ 58,238	\$ -	\$ 58,238
1,490	-	1,490
39,040	-	39,040
(253,988)	-	(253,988)
199,459	49,434	248,893
\$ 44,239	\$ 49,434	\$ 93,673

City of Inwood, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Governmental Funds
As of and for the year ended June 30, 2004

Exhibit B

	General	Road Use Tax	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:					
Property tax	\$ 123,788	\$ -	\$ 40,243	\$ 20,030	\$ 184,061
Tax increment financing collections	-	-	-	18,377	18,377
Other city tax	44,567	-	-	-	44,567
Licenses and permits	695	-	-	-	695
Use of money and property	1,769	-	-	-	1,769
Intergovernmental	14,215	72,877	-	-	87,092
Charges for service	65,526	-	-	-	65,526
Special assessments	39,412	-	-	-	39,412
Miscellaneous	3,385	-	-	-	3,385
Total Receipts	293,357	72,877	40,243	38,407	444,884
Disbursements:					
Operating:					
Public safety	27,393	-	-	-	27,393
Public works	71,971	24,145	-	-	96,116
Culture and recreation	90,239	-	-	-	90,239
Community and economic development	15,000	-	-	14,177	29,177
General government	32,416	-	-	30,651	63,067
Debt service	-	-	40,000	7,087	47,087
Capital projects	6,210	-	-	767,842	774,052
Total Disbursements	243,229	24,145	40,000	819,757	1,127,131
Excess of receipts over disbursements	50,128	48,732	243	(781,350)	(682,247)
Other financing sources (uses):					
Proceeds from Long-term Debt	-	-	-	350,000	350,000
Operating transfers out	(193,545)	(50,000)	-	273,545	30,000
Total other financing sources (uses)	(193,545)	(50,000)	-	623,545	380,000
Net change in cash balances	(143,417)	(1,268)	243	(157,805)	(302,247)
Cash balances beginning of year	342,876	59,506	38,797	(94,693)	346,486
Cash balances end of year	\$ 199,459	\$ 58,238	\$ 39,040	\$ (252,498)	\$ 44,239
Cash Basis Fund Balances					
Reserved:					
Debt service	-	-	39,040	-	39,040
Unreserved:					
General fund	199,459	-	-	-	199,459
Special revenue funds	-	58,238	-	1,490	59,728
Capital projects funds	-	-	-	(253,988)	(253,988)
Total cash basis fund balances	199,459	58,238	39,040	(252,498)	44,239

See notes to financial statements.

City of Inwood, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash Balances to the Statement of Activities and
Net Assets - Governmental Funds
As of and for the year ended June 30, 2004

Exhibit C

Total governmental funds cash balances (page 16)	\$ 44,239
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Cash basis net assets of governmental activities (page 15)	<u>\$ 44,239</u>
Net change in cash balances (page 16)	\$ (302,247)
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Change in cash balance of governmental activities (page 15)	<u>\$ (302,247)</u>

See notes to financial statements.

City of Inwood, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Proprietary Funds
As of and for the year ended June 30, 2004

Exhibit D

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ -	\$ -	\$ -
Licenses and permits	25	900	925
Charge for service	90,040	71,086	161,126
Miscellaneous	2,367	600	2,967
Total operating receipts	<u>92,432</u>	<u>72,586</u>	<u>165,018</u>
Operating disbursements:			
Governmental activities:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General government	-	-	-
Capital projects	11,028	-	11,028
Business type activities	72,974	33,978	106,952
Total operating disbursements	<u>84,002</u>	<u>33,978</u>	<u>117,980</u>
Excess (deficiency) of operating receipts over (under)	<u>8,430</u>	<u>38,608</u>	<u>47,038</u>
Non-operating receipts (disbursements):			
Intergovernmental	-	-	-
Interest on investments	-	-	-
Miscellaneous	-	-	-
General obligation bond proceeds	-	-	-
Debt service	-	(35,640)	(35,640)
Total non-operating receipts (disbursements)	<u>-</u>	<u>(35,640)</u>	<u>(35,640)</u>
Excess (deficiency) of receipts over (under) disbursement	8,430	2,968	11,398
Operating transfers out	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Net change in cash balances	(21,570)	2,968	(18,602)
Cash balances beginning of year	<u>63,903</u>	<u>4,133</u>	<u>68,036</u>
Cash balances end of year	<u>\$ 42,333</u>	<u>\$ 7,101</u>	<u>\$ 49,434</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved	42,333	7,101	49,434
Total cash basis fund balances	<u>\$ 42,333</u>	<u>\$ 7,101</u>	<u>\$ 49,434</u>

See notes to financial statements.

City of Inwood, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash Balances to the Statement of Activities and
Net Assets - Proprietary Funds
Year ended June 30, 2004

Exhibit E

Total enterprise funds cash balances (page 18) \$ 49,434

**Amounts reported for business type activities in the Statement of
Activities and Net Assets are different because:**

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

-

Cash basis net assets of business type activities (page 15) \$ 49,434

Net change in cash balances (page 18) \$ (18,602)

**Amounts reported for business type activities in the
Statements of Net Assets are different because:**

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.

-

Change in cash balance of business type activities (page 15) \$ (18,602)

See notes to financial statements.

CITY OF INWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Inwood is a political subdivision of the State of Iowa located in Lyon County. It was first incorporated in 1884 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

A. Reporting Entity

For financial reporting purposes, City of Inwood has included all funds. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

The City of Inwood had no component units that were included in the period covered by this audit.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given

function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue - Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

C. Measurement Focus and Basis of Accounting

The City of Inwood maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments consist of savings accounts and certificates of deposits.

(3) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004 was \$5,666 equal to the required contributions for the year.

(4) Compensated Absences

City employees can accumulate earned but unused vacation for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation leave termination payments payable to employees at June 30, 2004, is \$18,178. The liability has been computed based on rates of pay as of June 30, 2004.

(5) Related Party Transactions

The City had business transactions between the City and City officials or spouses totaling \$55,744 during the year ended June 30, 2004.

(6) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes and revenue notes are as follows:

Year Ending June 30,	General Obligation Capital Lona Notes				Sewer Revenue Bonds		Totals	
	Series 2004		Series 2002		Series 2001		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ -	\$ 15,956	\$ 25,000	\$ 13,750	\$ 22,000	\$ 14,070	\$ 47,000	\$ 43,776
2006	30,000	14,000	25,000	12,500	22,000	13,410	77,000	39,910
2007	30,000	12,800	30,000	11,250	23,000	12,750	83,000	36,800
2008	30,000	11,600	30,000	9,750	23,000	12,060	83,000	33,410
2009	35,000	10,400	30,000	8,250	24,000	11,370	89,000	30,020
2010 - 2014	185,000	30,800	135,000	17,250	132,000	45,540	452,000	93,590
2015 - 2021	40,000	1,600	-	-	223,000	27,540	263,000	29,140
Totals	\$ 350,000	\$ 97,156	\$ 275,000	\$ 72,750	\$ 469,000	\$ 136,740	\$ 1,094,000	\$ 306,646

(7) Risk Management

The City of Inwood is exposed to various risks of loss related to torts; theft, damage to and destruction of assets, errors and omissions; injuries to employee; and natural disasters. These risks are covered by purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the current fiscal year

(8) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2004, disbursements in the Debt Service exceeded the amounts budgeted

(9) Deficit Fund Balance

The Capital Projects Sub-Division had a deficit balance of \$253,988 at June 30, 2004.

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Amount</u>
Capital Projects - Main Street	General	4,351
Capital Projects - So. Main Street	General	155,656
	Road	50,000
	TIF	18,000
	Water	30,000
Capital Project - Sewer Rehab	General	22,917
Trust & Agency	General	10,621
	Totals	<u>291,545</u>

(11) Accounting Change and Restatements

Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statement, which present for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cash basis net assets June 30, 2003, as previously reported	\$ 346,486	\$ 68,036
Internal Service Fund	-	-
Cash basis net assets July 1, 2003, as restated	<u>\$ 346,486</u>	<u>\$ 68,036</u>

Required Supplementary Information

City of Inwood, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 184,061	\$ -
Tax increment financing collections	18,377	-
Other city tax	44,567	-
Licenses and permits	695	925
Use of money and property	1,769	-
Intergovernmental	87,092	-
Charges for service	65,526	161,126
Special assessments	39,412	-
Miscellaneous	3,385	2,967
Total receipts	<u>444,884</u>	<u>165,018</u>
Disbursements:		
Public safety	27,393	-
Public works	96,116	-
Culture and recreation	90,239	-
Community and economic development	29,177	-
General government	63,067	-
Debt service	47,087	35,640
Capital projects	774,052	11,028
Business type activities	-	106,952
Total disbursements	<u>1,127,131</u>	<u>153,620</u>
Excess of receipts over disbursements	(682,247)	11,398
Other financing sources, net	<u>380,000</u>	
Excess of receipts and other financing sources over disbursements and other financing uses	(302,247)	11,398
Balances beginning of year	<u>346,486</u>	<u>68,036</u>
Balances end of year	<u>\$ 44,239</u>	<u>\$ 79,434</u>

See accompanying independent auditor's report.

	Less Funds not Required to be Budgeted	Total Actual	Budgeted Amounts		Final to Actual Variance
			Original	Final	
\$	-	\$ 184,061	\$ 178,110	\$ 178,110	\$ 5,951
	-	18,377	14,000	14,000	4,377
	-	44,567	43,511	43,511	1,056
	-	1,620	915	915	705
	-	1,769	2,000	2,000	(231)
	-	87,092	93,900	93,900	(6,808)
	-	226,652	218,000	218,000	8,652
	-	39,412	30,000	30,000	9,412
	-	6,352	4,000	4,000	2,352
	-	609,902	584,436	584,436	25,466
	-	27,393	26,955	27,955	(562)
	-	96,116	115,100	115,100	(18,984)
	-	90,239	89,615	93,015	(2,776)
	-	29,177	102,500	102,500	(73,323)
	-	63,067	61,300	69,000	(5,933)
	-	82,727	40,000	40,000	42,727
	-	785,080	16,000	790,000	(4,920)
	-	106,952	205,100	205,100	(98,148)
	-	1,280,751	656,570	1,442,670	(161,919)
	-	(670,849)	(72,134)	(858,234)	187,385
	-	380,000	-	350,000	30,000
	-	(290,849)	(72,134)	(508,234)	217,385
	-	414,522	179,215	593,737	(179,215)
\$	-	\$ 123,673	\$ 107,081	\$ 85,503	\$ 38,170

City of Inwood, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service functions.

Other Supplementary Information

City of Inwood, Iowa
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Nonmajor Governmental Funds
As of and for the year ended June 30, 2004

	Special Revenue	
	Urban Renewal Tax Increment	Trust & Agency
Receipts:		
Property tax	\$ -	\$ 20,030
Tax increment financing collections	18,377	-
Total Receipts	18,377	20,030
Disbursements:		
Operating:		
Community and economic development	14,177	-
General government	-	30,651
Debt service	-	-
Capital projects	-	-
Total Disbursements	14,177	30,651
Excess of receipts over disbursements	4,200	(10,621)
Other financing sources (uses):		
Proceeds from Long-term Debt	-	-
Operating transfers out	(18,000)	10,621
Total other financing sources (uses)	(18,000)	10,621
Net change in cash balances	(13,800)	-
Cash balances beginning of year	15,290	-
Cash balances end of year	1,490	-
Cash Basis Fund Balances		
Unreserved:		
Special revenue funds	1,490	-
Capital projects fund	-	-
Total cash basis fund balances	\$ 1,490	\$ -

See accompanying independent auditor's report.

Schedule 1

Capital Projects		Nonmajor	Other
Sub- Division	So. Main St. Improv.	Capital Projects	Nonmajor Governmental Funds Totals
\$ -	\$ -	\$ -	\$ 20,030
-	-	-	18,377
-	-	-	38,407
-	-	-	14,177
-	-	-	30,651
7,087	-	-	7,087
495,499	245,075	27,268	767,842
502,586	245,075	27,268	819,757
(502,586)	(245,075)	(27,268)	(781,350)
350,000	-	-	350,000
-	253,656	27,268	273,545
350,000	253,656	27,268	623,545
(152,586)	8,581	-	(157,805)
(101,402)	(8,581)	-	(94,693)
(253,988)	-	-	(252,498)
-	-	-	1,490
(253,988)	-	-	(253,988)
\$ (253,988)	\$ -	\$ -	\$ (252,498)

City of Inwood, Iowa
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year
General obligation debt:				
IA Finance Authority - Sewer	10/24/2001	3%	\$ 529,000	\$ 488,000
Total				<u>488,000</u>
General Obligation Capital Loan Notes:				
Series 2002	9/1/2002	5%	300,000	300,000
Series 2004	4/28/2004	4%	350,000	
Totals				<u>\$ 300,000</u>

See accompanying independent auditor's report.

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 2,000	\$ 21,000	\$ 469,000	\$ 14,640	\$ 1,172
		-		
<u>2,000</u>	<u>21,000</u>	<u>469,000</u>	<u>14,640</u>	<u>1,172</u>
-	25,000	275,000	15,000	1,146
350,000		350,000	4,349	1,167
<u>\$ 350,000</u>	<u>\$ 25,000</u>	<u>\$ 625,000</u>	<u>\$ 19,349</u>	<u>\$ 2,313</u>

City of Inwood, Iowa
Bond and Note Maturities
June 30, 2004

Schedule 3

General Obligation Capital Loan Notes Series				
Year Ending June 30	Street improvements Issued September 1, 2002		Street improvements Issued April 28, 2004	
	Interest Rates	Amounts	Interest Rates	Amounts
	2005	5.00%	25,000	4.00%
2006	5.00%	25,000	4.00%	30,000
2007	5.00%	30,000	4.00%	30,000
2008	5.00%	30,000	4.00%	30,000
2009	5.00%	30,000	4.00%	35,000
2010	5.00%	30,000	4.00%	35,000
2011	5.00%	35,000	4.00%	35,000
2012	5.00%	35,000	4.00%	35,000
2013	5.00%	35,000	4.00%	40,000
2014		-	4.00%	40,000
2015		-	4.00%	40,000
TOTAL		\$ 275,000		\$ 350,000

Sewer Revenue Capital Loan Notes Series 2001 Issued October 24, 2001		
Year Ending June 30	Interest	
	Rates	Amounts
2005	3.00%	22,000
2006	3.00%	22,000
2007	3.00%	23,000
2008	3.00%	23,000
2009	3.00%	24,000
2010	3.00%	25,000
2011	3.00%	26,000
2012	3.00%	26,000
2013	3.00%	27,000
2014	3.00%	28,000
2015	3.00%	29,000
2016	3.00%	30,000
2017	3.00%	31,000
2018	3.00%	32,000
2019	3.00%	33,000
2020	3.00%	33,000
2021	3.00%	35,000
TOTAL		\$ 469,000

See accompanying independent auditor's report.

City of Inwood, Iowa
 Schedule of Revenues by Source and Expenditures by Function -
 All Governmental Funds
 For the Last Four Years

Schedule 4

	2004	2003	2002	2001
Receipts:				
Property tax	\$ 184,061	\$ 192,980	\$ 137,848	\$ 139,364
Tax increment financing collections	18,377	16,205	14,197	16,163
Other city tax	44,568	44,381	46,486	38,133
Licenses and permits	695	1,420	680	1,084
Use of money and property	1,769	3,316	14,277	23,276
Intergovernmental	87,092	94,520	855,756	101,004
Charges for service	65,526	65,210	64,592	75,315
Special assessments	39,412	35,559	64,981	-
Miscellaneous	3,385	10,595	29,490	8,567
Total	<u>444,885</u>	<u>464,186</u>	<u>1,228,307</u>	<u>402,906</u>
Disbursements:				
Operating:				
Public safety	27,393	26,631	33,825	35,517
Public works	96,116	118,972	128,536	81,762
Health and social services	-	-	-	-
Culture and recreation	90,239	94,190	130,185	187,497
Community and economic development	29,176	31,346	-	-
General government	63,067	57,549	62,393	46,111
Debt service	82,727	11,250	-	-
Capital projects	785,080	147,562	1,516,160	-
Total	<u>\$ 1,173,798</u>	<u>\$ 487,500</u>	<u>\$ 1,871,099</u>	<u>\$ 350,887</u>

See accompanying independent auditor's report.

Dan Heard, CPA
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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Inwood, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated September 8, 2005. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Inwood's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under Government Auditing Standards and which are described in Part I of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item I-A-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Inwood's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as items II-A-04 in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens City of Inwood and other parties to whom the City of Inwood may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Inwood during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wells Heard Halse & Co.

September 8, 2005

CITY OF INWOOD, IOWA

Schedule of Findings
Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITION:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. The same employee performs all duties.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF INWOOD, IOWA

Schedule of Findings
Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:

II-A-04 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the fiscal year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004, exceeded the amount budgeted in the Debt Service programs after budget was amended. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-04 Questionable Disbursements - No disbursements of City money for questionable disbursements were noted.

II-D-04 Travel and Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transaction – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Allen Hassebroek, Owner A B Auto	Vehicle repairs	\$1,171.44
Barbara Hassebroek, spouse, Insurance Agent	Insurance with ICAP	10,328.86
Dan Moen, Vice-President, Security State Bank	Bank notes and interest payments	51,1436.37
Les Gayer, employee, Farmers Elevator	Diesel fuel and oil	1,427.17
Joe Lloyd, Postmaster, US Post Office	Postage	1,708.58

CITY OF INWOOD, IOWA

Schedule of Findings
Year Ended June 30, 2004

- II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-04 Council Minutes - One transaction was found that we believe should have been approved in the council minutes but were not regarding the awarding of the audit for June 30, 2004. The minutes of Council proceedings were published in accordance with Chapter 372.13(6) of the Code of Iowa.
- The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.
- Recommendation – The City should comply with Chapter 21 of the Code of Iowa and publish the annual individual salaries as required.
- Response – We will publish salaries as required.
- Conclusion - Response accepted.
- II-G-04 Deposits and Investments - We noted no instance of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-04 Financial Condition – The Capital Projects – Sub-Division has a deficit fund balance of \$253,988 as of June 30, 2004.
- Recommendation - Fund balances should be periodically reviewed and appropriate transfers made to maintain adequate fund balances.
- Response – The deficit was due to the construction costs incurred during the sub-division development and will be eliminated when the lots are sold.
- Conclusion - Response accepted.
- II-I-04 Certified Budget – In accordance with Chapter 384.20 of the Code of Iowa the Budget needs to be amended before disbursements exceed the function budget. The amendment was approved June 14, 2004 after the original budget had been exceeded.
- Recommendation – The City should amend the budget before disbursements exceed the function budget and before May 31st.
- Response - We will amend in the future as recommended.
- Conclusion - Response accepted.

CITY OF INWOOD, IOWA

Schedule of Findings
Year Ended June 30, 2004

- II-J-04 Economic Development – The City paid \$15,000 to Inwood Horizon which may not be an appropriate expenditure of public funds.

In accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Council should evaluate and document the public purpose served by the expenditure before authorizing further payments.

Response - We will do this.

Conclusion - Response accepted

- II-J-04 Revenue Bonds and Notes – The Sewer Revenue bonds requires an audit completed within 180 days of the fiscal year end. The audit was not completed within that time period.

Recommendation – The Council should have an audit done within the 180 days of the fiscal year end in the future.

Response - We will do this.

Conclusion - Response accepted

- II-K-04 Audit Noncompliance – Chapter 11 of the Iowa code requires an audit to be submitted nine months after fiscal year end, unless an extension was granted by the State Auditor. The City did not comply with the audit requirements.

Recommendation – The Council should have an audit done within the nine months after fiscal year end in the future.

Response - We will do this.

Conclusion - Response accepted